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UNCTAD VI: The Next Round in the North-South Dialogue

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An Intelligence Assessment

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An Intelligence Assessment

This paper was prepared by the Economics Division
of the Office of Global Issues.

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Comments and queries are welcome and may be
directed to the Chief, Third World Issues Branch,
OGI,

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Key Judgments

*Information available
as of 11 May 1983
was used in this report.*

We believe that all of the elements for another stalemated North-South meeting will be in place when the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD VI) meets 6-30 June in Belgrade.

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the developing countries (the G-77 in UNCTAD parlance) have prepared a long and familiar list of proposals for aid increases, trade advantages, and commodity price support schemes that the developed nations are prepared to reject. Despite the volume, scope, and familiarity of these proposals, the G-77 perceives its positions and rhetoric as more moderate than in recent North-South meetings. Some G-77 members hope that this "moderation" will yield a more forthcoming response from the developed countries.

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With no prospect for agreement on major substantive issues, the principal question is likely to be whether US allies and the Communist states can succeed in shifting blame for a deadlock of UNCTAD VI entirely to the United States. As far as our allies are concerned, the stage is already being set. We believe that the West European nations will use high-level meetings, such as the OECD Ministerial and the Williamsburg Economic Summit, to reaffirm their image as sympathetic, willing participants in the North-South dialogue.

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they will follow up Williamsburg rhetoric with relatively minor aid and commodity trade concessions at UNCTAD VI.

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The Soviet Union and its allies have maintained a low profile at previous UNCTAD sessions, in part because the G-77 has not actively sought to secure additional aid and trade advantages from them.

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for UNCTAD VI the G-77 adopted an African group proposal for tariff preferences, increased trade, and more aid from the Communist states despite active Soviet opposition. We believe the inclusion of the African initiative in G-77 proposals indicates that rhetorical support may no longer be adequate to deflect G-77 criticism of the Soviet Union and Eastern Europe.

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A deadlock at UNCTAD VI may harden the rhetorical tone of the developing countries, but we do not believe that the substance of the demands will change. Emphasis on proposals for immediate economic relief will continue in subsequent North-South meetings because economic recovery in the majority of developing countries will lag behind recovery in the developed countries. The G-77 will continue to seek a large-volume increase in aid and IMF resources as its first priority in international negotiations.

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UNCTAD VI Outlook

We believe that all of the elements for another stalemated North-South conference will be in place when the Sixth Session of the United Nations Conference on Trade and Development (UNCTAD VI) meets 6-30 June in Belgrade. [REDACTED]

- Neither the volume nor the scope of proposals by the developing countries, called the Group of 77 (G-77), has diminished from past North-South meetings. A significant portion of the membership of the G-77, however, perceives its positions and rhetoric as more moderate, and, as a result, some G-77 members hope for a more forthcoming response from the developed countries.
- The Western industrialized countries (known in UNCTAD as Group B) will not adopt the major G-77 proposals.
- The Communist countries (known in UNCTAD as Group D) oppose most G-77 proposals in substance but will rhetorically support the LDCs against the industrialized countries.

With no prospect for agreement on major substantive issues, we believe the principal question at UNCTAD VI will be whether US allies in Group B and Communist states in Group D will succeed in shifting the blame for a deadlock entirely to the United States. [REDACTED]

Developed Country Maneuvering

Most of the developed countries will come to the UNCTAD meeting trying to avoid costly concessions, while at the same time appearing to be responsive to G-77 proposals. The West European countries are already maneuvering to make themselves look good. Opposed to principal G-77 proposals, they are, in the words of an official of the European Community, "looking for something sellable at UNCTAD VI." US

embassy reporting and officials' reports indicate that the West Europeans are developing relatively modest proposals for financial or commodities trade benefits for less developed countries. Possible European initiatives at UNCTAD VI include:

- From West Germany, a \$3-5 billion export stabilization scheme financed by developed countries, OPEC, and private borrowings and intended to support all developing countries whose export income is dependent by 50 to 80 percent on primary products.
- From the European Community (EC), extension of the Community's Commodity Earnings Stabilization System (STABEX) to all developing countries whose primary commodity exports account for 60 to 70 percent of their total exports to the Community.¹
- From France, a wide range of trade and aid proposals to help LDCs that may be the basis for French initiatives in Belgrade, as outlined by President Mitterrand in a 9 May speech to the Organization for Economic Cooperation and Development (OECD) ministers. In addition, an 18 May meeting between President Mitterrand and the heads of seven socialist governments may produce a "socialist manifesto" concerning global economic recovery, which is likely to include proposals affecting both the Williamsburg Summit and UNCTAD VI. [REDACTED]

We believe that Group B members, particularly France, will use high-level meetings, such as the OECD Ministerial and the Williamsburg Economic Summit immediately preceding the opening of UNCTAD VI, to reaffirm their positions as sympathetic and willing participants in the North-South

¹ Under STABEX, the European Community provides former colonies with grants or interest-free loans to compensate for earnings shortfalls on exports of primary products to the Community. [REDACTED]

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**UNCTAD: The Organization,
Its Purpose, and Powers**

The United Nations Conference on Trade and Development (UNCTAD) was established as a permanent organ of the United Nations General Assembly in 1964. The first session of the conference took place in Geneva in 1964, with subsequent sessions in New Delhi (1968), Santiago (1972), Nairobi (1976), and Manila (1979). The principal functions of UNCTAD are:

- *To promote trade with a view toward accelerating economic development.*
 - *To formulate principles and policies on trade.*
 - *To propose implementation of those principles and policies.*
 - *To initiate action for negotiation and adoption of multilateral legal instruments in the field of trade.*
- The member states of the United Nations, its specialized agencies, and the International Atomic Energy Agency are members of UNCTAD. Each state has one vote. Decisions on matters of substance are taken by a two-thirds majority.*

The permanent machinery of UNCTAD consists of the Trade and Development Board (TDB) and a permanent Secretariat headed by a Secretary General who is appointed by the Secretary General of the United Nations. Gamani Corea of Sri Lanka has been the Secretary General since 1974. The Board meets twice a year and has six main committees: Commodities, Manufactures, Invisibles and Financing related to Trade (CIFT), Transfer of Technology, Economic

Cooperation among Developing Countries (ECDC), and Shipping.

Powers of UNCTAD

UNCTAD lacks the power to negotiate treaties. It merely recommends that states participate in conferences. Most of the treaties negotiated in an UNCTAD framework have attracted few ratifications and have not come into force. However, with West German ratification, the Code of Conduct for Liner Conferences will come into force in October 1983, constituting UNCTAD's first success.

Negotiating Structure

UNCTAD members are divided into four groups: the Group of 77; the Western industrialized countries, known as Group B; the Communist countries, Group D; and China as a "group" alone. Each group or subgroup (for example, the European Economic Community within Group B or the three regional blocs within the Group of 77) meets and attempts to devise a common position on an agenda issue. Representatives of each group then meet in "contact groups" that seek to develop a common position. If a consensus emerges, the common position is put before a plenary session to become official policy. If no consensus emerges, the issue is usually left for future resolution, or each side puts its own position on the record.

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Communist Bloc Position

According to US officials, the Soviets and their East European allies have publicly maintained their usual low-profile position on North-South issues in preparation for UNCTAD VI. They deny any responsibility

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for the problems of the developing world, which they claim are caused by colonialism, neocolonialism, exploitation by multinational corporations, and the collapse of the capitalist system. At previous UNCTAD sessions, the G-77 has not actively sought to secure additional aid and trade advantages from the Communist Bloc. [REDACTED]

In their preparations for UNCTAD VI, however, the African nations sponsored a proposal for tariff preferences, increased trade, and more aid from the Communist Bloc. [REDACTED]

willingness by developed countries to consider structural reform of international institutions. The other school is maintained by the UNCTAD Secretariat and "old hands" at UNCTAD, such as the influential representatives of Jamaica, Brazil, and the Philippines. This group advocates discussions about problems of developing nations, such as the need for additional aid, without preconceptions concerning the need for structural reforms [REDACTED]

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UNCTAD VI Issues in Brief

Financial and Monetary Issues

UNCTAD Secretary General Gamani Corea has told US officials that the G-77's emphasis at UNCTAD VI will be on financial and monetary issues. The G-77 is proposing a two-year program of "Immediate Action Measures" in which developed countries would provide a substantially increased flow of aid to developing countries through both public and private sources. This program calls for an increase in official development assistance, IMF and World Bank resources, and private capital flows. According to US officials, the G-77's two-year program would cost \$70 billion in addition to existing levels of support. The G-77 is also proposing a program of "Medium- and Long-Term Action Measures" to address "structural deficiencies" in the international monetary system. This initiative would require additional financial resources as well as economic and monetary policy changes by developed countries. [REDACTED]

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We believe that the inclusion of the African initiative in G-77 proposals indicates that rhetoric from the Communist Bloc may no longer be adequate to deflect criticism of its low levels of official development assistance and other forms of support for G-77 development efforts. [REDACTED]

Group of 77 Initiatives

According to diplomatic reporting, the G-77 approaches UNCTAD VI divided into two fairly distinct schools of thought concerning overall goals. The dominant group, led by India, is pushing for immediate economic relief in the form of increased aid and other financial resources. This group also seeks a

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US Participation in UNCTAD

A review of the record of UNCTAD indicates that since 1964 UNCTAD conferences have produced volumes of resolutions that have had virtually no impact on US economic or strategic interests. As in other North-South forums, the United States has participated fully in UNCTAD debate and in the process of shaping final resolutions to ensure full presentation of US positions and to limit potential damage to US interests. On at least one occasion, the United States used UNCTAD as a platform to launch a major North-South initiative. At the 1976 Nairobi Conference, Secretary of State Kissinger called for the creation of an International Resources Bank to encourage foreign investment in LDCs and for an International Industrialization Institute to finance the development of appropriate technology for developing countries.

Embassy reports and analysis by US agencies indicate that these two G-77 proposals represent a repackaging of old ideas rather than a presentation of new initiatives. At Buenos Aires, the G-77 also:

- Diluted a strong African group proposal for generalized official debt relief and restructuring of private debt in deference to Latin American concerns about its impact on private capital flows vital to Latin economies. The G-77 proposal on debt now calls for improvements in terms and conditions of official debt and more information concerning private capital flows.
- Proposed the establishment of an international export credit guarantee facility to be initiated by 1984. According to this scheme, developed countries would increase export financing available to LDCs and would exempt financing extended to LDCs from the requirements of the OECD export credit arrangement.
- Welcomed a Nonaligned Movement proposal to convene an international conference on money and finance for development. [redacted]
[redacted] the conference is intended to focus on measures for immediate economic relief from the

effects of global recession. The Indian sponsors of the proposal may also intend to consider structural reforms of the international system and its institutions.

Not much is likely to develop on the monetary and finance front. Most of the Western developed countries are in general agreement in their opposition to G-77 proposals:

- According to diplomatic reporting [redacted] the G-77 proposal for an additional \$70 billion in "Immediate Action Measures" is far beyond any increases in resources that the developed nations would seriously consider. The Nordics and the Dutch are willing to approve targets for official development assistance, which could yield additional aid if met, but other Group B members, particularly the United States and Switzerland, remain opposed to targets.
- According to diplomatic reporting and US officials, the United States, West Germany, Canada, and the United Kingdom have all expressed reservations about the Export Credit Guarantee Facility, and, according to US officials, even some developing countries began to ask questions about the proposal after they listened to Group B reservations.
- Diplomatic reporting [redacted] indicate that the G-77 intends to give low priority to the proposed conference on money and finance for development. Despite this reporting, we believe that in the likely event of a general deadlock on financial issues, agreement to hold yet another conference could become a tempting compromise for Europe and Japan in the closing hours of UNCTAD VI.

Trade Issues

We believe that most UNCTAD VI resolutions on trade will resemble those of past UNCTAD conferences and will again be ignored in practice. At Buenos Aires the G-77 approved, with little disagreement, ambitious trade objectives for UNCTAD VI. The G-77 remains focused on eliminating all developed country import barriers that affect LDC exports and

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on preserving and expanding trade preferences extended to LDCs. It also continues to try to modify the role of the General Agreement on Tariffs and Trade (GATT). [REDACTED]

On the most pressing trade issue, protectionism, we believe that UNCTAD VI will do no more than echo statements of resolve made at last November's GATT Ministerial. Group B countries, particularly the European Community, have little to offer on major issues of protectionism and tariff preferences extended to LDCs. The G-77, for its part, refuses to discuss its own trade barriers. [REDACTED]

Role of GATT. To the G-77, GATT is a symbol and vehicle of Western dominance of the international trade regime. Most of the G-77 are GATT members, but we believe they see UNCTAD as the forum in which to exert political pressure for reorganization of the rules and institutions of international trade and finance. In this context a majority of the G-77 views UNCTAD as a future alternative to GATT. In our judgment, the G-77 cannot be expected to budge from its hostility toward GATT and its insistence on expanding the authority of UNCTAD and activities of the UNCTAD Secretariat. Group B will continue to defend the integrity of GATT. As a result, this key issue will remain deadlocked. [REDACTED]

Services. The institutional competition between GATT and UNCTAD is a backdrop to every trade disagreement in UNCTAD, but it is particularly apparent in the case of trade in services. In our view, many developed and developing countries believe that study of international services trade is important in order to create a foundation for possible future rule-making. They disagree on whether GATT or UNCTAD should conduct the study. At the November 1982 GATT Ministerial, the LDCs nearly killed a US proposal on GATT services studies. At UNCTAD VI, roles will be reversed, with Group B—particularly the United States, West Germany, and the United Kingdom—trying to keep UNCTAD involvement at a minimum. [REDACTED]

G-77 pressure to initiate studies of services could be a major problem for Group B, but we do not know how forcefully the G-77 will press this issue. If UNCTAD were to become involved in services, the UNCTAD Secretariat—with its solid record of hostility toward the free market—would probably repeat the history of its efforts to cartelize shipping, the one services sector that UNCTAD has addressed. [REDACTED]

Commodity Issues

A principal LDC goal at UNCTAD VI will be the adoption of measures that raise and stabilize commodity prices and export earnings. Most of the issues slated for discussion—the Common Fund, Commodity Agreements, and compensatory financing—are not new. They relate to the implementation of the Integrated Program for Commodities (IPC) launched in 1976. [REDACTED]

Common Fund. According to embassy reports, the UNCTAD Secretariat and LDCs—notably Indonesia and a handful of African countries—will press for ratification of the Common Fund. This is the IPC's commodity price stabilization scheme, which has a September 1983 deadline for ratification. The same sources indicate that this initiative does not have the full support of the G-77. In particular, the Malaysians are uneasy about the costs of operating the Fund. The Brazilians and Argentines believe that the existing commodity agreements are no longer favorable to them and, therefore, have become increasingly skeptical about the usefulness of the Fund. [REDACTED]

Several Group B members have supported the Common Fund. The United Kingdom, Denmark, Ireland, Sweden, and Switzerland have ratified the agreement. Diplomatic reporting indicates that West Germany is holding back but will quickly ratify if establishment of the Fund seems assured. We believe part of the reason for ratification by the Europeans is that they are gambling on reduced LDC interest and continued US resistance to prevent the Fund's implementation or to reduce the cost of their participation. [REDACTED]

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Commodity Agreements. The G-77 has prepared a resolution supporting the review of existing international commodity agreements to identify guidelines for strengthening their effectiveness in stabilizing commodity prices. [redacted]

this issue was strongly debated at the G-77 Ministerial in Buenos Aires. Although a compromise was achieved, the African group remains dissatisfied.

[redacted] Africans believe that the Latin American group—particularly Argentina, Brazil, and Venezuela—has lost interest in commodity agreements. Embassy reporting indicates that, despite US reservations, the European Community and Japan accept the likelihood of a low-level review of existing commodity agreements in UNCTAD. [redacted]

The Buenos Aires Declaration proposes to negotiate and implement interim commodity agreements to cover the 13 IPC commodities not now covered by agreements. These include jute, tropical timber, copper, cotton, hard fibers, tea, bananas, bauxite, iron ore, manganese, meat, phosphates, and vegetable oil. We believe that most Group B members oppose this proposal, but the British believe there is room for more producer-consumer forums. We believe that UNCTAD VI will produce a resolution expressing disappointment at the lack of IPC progress and will call for extensive international cooperation to solve the problems afflicting commodity markets. [redacted]

Compensatory Financing. In our judgment, the LDCs will also seek increased compensatory financing for shortfalls in export earnings. At Buenos Aires, the G-77 stated that the IMF's Compensatory Financing Facility (CFF) has provided inadequate coverage for LDCs affected by the decline in commodity prices. According to the Buenos Aires Declaration, the G-77 will propose establishment of a complementary financing facility to help stabilize commodity export earnings and will urge the IMF to further expand and liberalize the CFF. US embassies report that all Group B members agree in principle that something should be done to provide better coverage for earnings shortfalls but insist that any action to liberalize the CFF should be left to the IMF. [redacted]

Basket Issues

A number of other, so-called basket, issues are likely to be raised at the Belgrade sessions. These issues are of interest to individual or small groups of countries. They probably will consume time during the conference, but we do not believe they will generate substantial interest among either the G-77 or Group B. The most prominent basket issues include:

- Institutional reform of UNCTAD. The United States insists on a review of UNCTAD management effectiveness, cost control, and accountability of the Secretariat. Embassy reporting indicates that the European Community opposes discussion of institutional issues because it fears the US initiative will provoke confrontation with the G-77 on other basket items.
- Economic Cooperation Among Developing Countries (ECDC). The G-77 proposes that UNCTAD finance negotiations for the creation of a Global System of Trade Preferences (GSTP) limited to G-77 members. The United States and most of Group B oppose GSTP because it violates the principle that all UN members, not just the G-77, should be eligible to attend UN-funded conferences.
- Assistance to national liberation movements. The G-77 proposes that UNCTAD conduct studies on ways to improve economic conditions for the Palestinians and Namibians. Group B members believe this issue is outside UNCTAD jurisdiction.
- Landlocked and island developing countries. The G-77 wants developed countries to treat landlocked and island developing countries as a special category entitled to preferential treatment in trade and aid. The United States has maintained that the OECD already gives them special treatment. Some Group B members, such as France, have close relations with these countries and may be willing to compromise on the issue.

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- Transfer of technology. This issue has three components. The G-77 proposes: (1) an International Code of Conduct on Technology Transfer; (2) a loosening of the Paris Convention for the Protection of Industrial Property; and (3) the creation of a facility to compensate LDCs for the loss of skilled workers through emigration to the industrialized countries. The United States believes that technology must remain in the hands of the private sector and opposes the proposed labor compensatory facility. Group B allies support the US position.
- Shipping. The G-77 will be seeking the widest possible ratification of the Liner Code, a convention that controls access to the liner shipping conferences, cargoes, and revenues. We expect many members of the European Community to accede to the code by June. The G-77 also wants: (1) elimination of flags of convenience and institution of a direct link between the owner of a ship and its country of registry; (2) establishment of mandatory crewing requirements for flag-state nationals; and (3) a scheme for dividing bulk cargoes, such as coal or oil, among national shipping lines.

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North-South Issues After Belgrade

Even though we expect that the G-77 will fail to achieve its goals at UNCTAD VI, we do not believe that the substance of G-77 demands will change in subsequent North-South or other international conferences for the next year or two. While its rhetorical tone may harden, we believe that the G-77's emphasis on proposals for immediate relief from the effects of the recession will continue because economic recovery in the majority of its members will lag behind recovery in the developed countries. The G-77 will continue to seek a large volume of fast-disbursing resources as its first priority in international negotiations.

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Appendix

Provisional Agenda for the Sixth Session of the United Nations Conference on Trade and Development ²

1. Opening of the Conference
2. Election of the President
3. Constitution of sessional bodies
4. Election of Vice-Presidents and the Rapporteur
5. Credentials of representatives to the Conference:
 - (a) Appointment of the Credentials Committee
 - (b) Report of the Credentials Committee
6. Adoption of the agenda
7. General debate
8. The world economic situation with special emphasis on development: approaches to the current world economic crisis and perspectives for the 1980s, including issues, policies, and measures relevant to the attainment of a new international economic order
9. Commodity issues. Review of the situation in the area of commodity trade. The implementation of the Integrated Program for Commodities in the area of:
 - (a) Stabilizing and strengthening commodity markets;
 - (b) Marketing, processing, and distribution including transportation; and
 - (c) Compensatory financing of shortfalls in export earnings; with a view to the adoption of policies to promote commodity trade and development
10. Issues in the area of international trade in goods and services: protectionism and structural adjustment; examination of the impact of the principles, policies, and practices in international trade relations, taking into account recent developments including those in other international forums; policies to expand trade and promote development, particularly that of the developing countries
11. Financial and monetary issues: developments in monetary and financial questions in relation to trade and development, in particular of the developing countries; policies to promote the expansion of all flows of public and private resources and in particular to increase the net flow and improve the conditions of the transfer of resources to developing countries and to facilitate balance of payments adjustments

² Excerpt from UN document TD/B/L.635.

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12. Progress in the implementation of the Substantial New Program of Action for the Least Developed Countries
13. UNCTAD activities in the field of:
 - (a) Technology;
 - (b) Shipping;
 - (c) Land-locked and island developing countries;
 - (d) Trade relations among countries having different economic and social systems and all trade flows resulting therefrom;
 - (e) Economic cooperation among developing countries;
 - (f) Assistance to National Liberation Movements recognized by regional intergovernmental organizations;
 - (g) Institutional matters
14. Other business
15. Adoption of the report of the Conference to the General Assembly

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